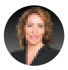
Pandemic exposed global pharmaceutical supply chain's fragility

Steering production from China proves problematic amid 'quality issues' with US manufacturers



Clarissa Hawes • Wednesday, February 22, 2023

Christina Hultsch of Benesch's Healthcare Practice Group discussed the state of the global pharmaceutical supply chain with FreightWaves' John Kingston. (Photo: Shutterstock)

How did generic pharmaceutical wholesalers fare durin three drug wholesalers that control 90% of the market? chain now? What are some of the difficulties of shifting China and India back to the U.S.?

These are some of the issues Christina Hultsch, a partne with John Kingston, editor at large at FreightWaves, on

Hultsch, who represents generic drug manufacturers, said vulnerabilities existed in the global supply chain before the pandemic since three drug wholesalers control more than 90% of the pharmaceutical market. However, the disparity between generic manufacturers and the big three was exposed when the Chinese government shut down the entire Wuhan province, where many of her clients had their manufacturing facilities, in late January 2020.

"Initially, we thought, oh, a couple of weeks we'll get through this, and then it turned into three, six months and not a whole lot was happening coming out of China, so that was the first big problem," Hultsch said. "Then all the dominoes started falling after that, [and] even if you could get the drugs, you couldn't really ship it across the ocean. You couldn't find workers to do this or that, or you couldn't find trucks to load anything onto."

Shipping costs also skyrocketed during this time, she said, crippling some generic manufacturers used to paying a few thousand to ship a load pre-pandemic to paying anywhere from $20,000 to $50,000 for the same load of drugs.

"It resulted in obviously a lot of debt building up for those manufacturers in a business that is already struggling with cash flow," Hultsch said.

She said the biggest issue with generic manufacturers competing with the three largest wholesalers, even before the pandemic, was certain payment cycles.

"There's a different payment cycle on the wholesaler-customer side. and it's really easy math," Hultsch said. "If the wholesaler has better payment terms, has more time to pay the manufacturer than it has on the other end with the customer, then the wholesaler never has to come out of pocket and holds all of the economic power. That makes it very easy for them to di
really low-margin market."

However, generic drug manufacturers, already operatin
pandemic hit as many were crippled by soaring shippin

"When the pandemic hits, you are dealing with the actu
fees in your contract. You have shipping costs that mult

business is really squeezed to the point where it's getting hard to survive."

This interview is from Wednesday, the second day of FreightWaves' Global Supply Chain Week.

Nearshoring drug manufacturing isn't quick fix

While the pandemic highlighted certain vulnerabilities for U.S. drug manufacturers that depend on countries like China and India — which produce more than 80% of the primary ingredients in medications used around the world — moving manufacturing facilities closer to home is complicated, according to Hultsch.

"You can't build up a facility overnight," she said. "It's going [to go] through a long approval process and you're looking at two years at a minimum if you're starting to relocate production. So, it's certainly an effort, but it's not going to be a quick fix, and what we l
tried to go with local CMOs [contract manufacturing or
really have been getting better, more reliable quality ou
seen from some of the U.S. manufacturers."

Clarissa Hawes

Clarissa has covered all aspects of the trucking industry for 14 years. She is an award-winning journalist known for her investigative and business reporting. Before joining FreightWaves, she wrote for Land Line Magazine and Trucks.com. If you have a news tip or story idea, send her an email to chawes@freightwaves.com.